

UNITED STATES DEPARTMENT OF AGRICULTURE

Farm Service Agency

P.O. Box 2415

Washington, DC 20013-2415

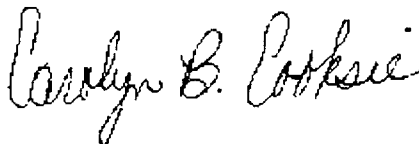
Notice FC-68

1910-A

For: State and County Offices

Clarifying Family Farm Definition

Approved by: Acting Deputy Administrator, Farm Credit Programs



1 Overview

A

Background

The definition of a family farm in FmHA Instructions on loan making is general, by necessity, in recognition of the diversity of agriculture across the country. Because of this diversity, it is important to consider the definition of a family farm on an individual, case-by-case basis.

B

Purpose

This notice:

- revises FmHA AN 3155 (1910), which has expired
- provides guidance and clarification on the family farm definition under:
 - FmHA Instruction 1941-A, section 1941.4
 - FmHA Instruction 1943-A, section 1943.4
 - FmHA Instruction 1980-B, section 1980.106.

C

Contacts

If questions about this notice:

- County Offices and Ag Credit Teams shall contact the State Office
- State Offices shall contact LMD at 202-720-1632, through the Area Office.

Disposal Date

August 1, 1997

Distribution

State Offices; State Offices relay to County Offices and Ag Credit Teams

Notice FC-68

2 Guidelines for Determining Family Farm

A

Introduction

COC shall use the guidelines in this notice to ensure that all farm operations receive due consideration under the family farm definition. These guidelines apply to the family farm definition in the direct and guaranteed loan programs, including the emergency loan program.

B

Factors to Consider

With regard to the items noted in the regulatory definition, the factors in the following table should be weighed, both together and separately, as the family farm determination is made.

Factor	Guidelines
Comparison to like type farm operations	Consider how the applicant's farm operation compares to similar farm operations in the community. In most areas of the country and in most farming enterprises, the family will provide most of the day-to-day labor on a family farm. An exception may be made for enterprises that produce high-value, labor-intensive crops such as fruits or vegetables.
Management and control of the farm business	All of the day-to-day management and operational decisions should be made by members of the farm family. The use of consultants, advisors, and similar experts is acceptable, if someone in the farm family is the decision-maker.
Amount of labor	<p>A substantial amount of the full-time labor required must be contributed by family or entity members to the operation.</p> <ul style="list-style-type: none">• The use of seasonally hired labor should not be precluded.• The borrower may not necessarily perform a majority of the labor, but the amount of labor provided by the borrower is significant. <p>One distinguishing characteristic of a family farm is that the family members provide both physical labor and management for the farm. Consider the labor requirements that are necessary for the production of specific high-value, labor-intensive crops.</p>

Continued on the next page

2 Guidelines for Determining Family Farm (Continued)

**B
Factors to
Consider
(Continued)**

Factor	Guidelines
Credit needs	<p>Congress established FSA's loan limits to assist family-sized operations. The loan limits generally ensure that loans are made to family farm operations.</p> <ul style="list-style-type: none"> • It is important that every effort be made to ensure that loans are made only when it is certain that other credit is not available. • Loan participation arrangements are acceptable when FSA farm loans cannot meet the total needs, but if the maximum FSA farm loans are a small portion of the total credit requirements, this may be another indicator of a larger than family-size farm, or that credit is available from another source.

**C
Decision**

COC shall:

- analyze all the components that make up the regulatory definition of family farm and the items discussed in subparagraph B
- look at all aspects and the circumstances the farm is operating under.

Note: Consider and analyze these factors, and how the factors relate to one another.

Application of judgment, combined with documentation of all the factors for the decision, should provide reasonable determinations of applicant qualifications as a family farm.
